



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

**REGION 5**

**77 WEST JACKSON BOULEVARD**

**CHICAGO, IL 60604-3590**

**AUG 26 2009**

REPLY TO THE ATTENTION OF:

**AR-18J**

Paula Connell  
Supervisor  
Air Quality Permits, Unit 2  
Industrial Division  
Minnesota Pollution Control Agency  
520 Lafayette Road North  
Saint Paul, Minnesota 55155

RE: Applicability Determination Request for New Ulm Public Utilities, New Ulm, Minnesota

Dear Ms. Connell:

Thank you for your May 13, 2009 letter, regarding a proposed project for boiler No. 4 (EU 003) at the New Ulm Public Utilities (NUPU) municipal steam electric plant, and the applicability of New Source Review (NSR) and part 63 to the proposed project.

Your letter requests confirmation that the U. S. Environmental Protection Agency agrees with the Minnesota Control Agency's (MPCA) determination that resumption of coal combustion at boiler No. 4 constitutes a physical change (installation of a coal bucket elevator) and the addition of coal as a fuel is a change in the method of operation of the boiler. A March 25, 2009 letter, that was submitted by Howard R. Green Company on behalf of NUPU describes certain activities that NUPU must undertake to resume coal combustion in the boiler. These activities include the installation of a coal bucket elevator, and other proposed changes to the boiler (re-building the stoker grate, turbine generator overhaul, stoker distributor replacement, upgrade of the over-fire air system and soot blower upgrades).

As indicated in the March 25, 2009 letter, boiler No. 4 was constructed in the 1960's as a stoker-fired bituminous coal boiler. Since 1997 the boiler has combusted only natural gas and is no longer physically capable of combusting coal due to the removal of the coal bucket elevator from the facility in 2004.

The Prevention of Significant Deterioration (PSD) rules define a major modification as a physical or operational change that results in a significant net emissions increase. EPA policy and guidance documents interpreting PSD statutory and regulatory requirements clarify that fuel switching is a change in the method of operation. If the operational change results in a significant net emissions increase, the change is subject to PSD review. Notwithstanding, 40 CFR 52.21(b)(2)(iii)(e)(i) excludes the conversion to an alternative fuel

or raw material by a stationary source (which was capable of accommodating before January 6, 1975) from the definition of physical change or change in the method of operation, and consequently from the definition of a major modification. However, in order to qualify, the source must have been continuously capable of accommodating the alternative fuel. A source that had used coal at a particular unit at an earlier time, but then later switched to another fuel, would be capable of accommodating coal as long as the coal handling equipment still existed. In this case, the removal of the coal bucket elevator and the other proposed changes to the boiler indicate that the source is no longer capable of accommodating coal and is therefore not eligible for the fuel conversion exemption in the definition of major modification.

Based on the information submitted, EPA agrees with MPCA that the proposed project for boiler No. 4 constitutes a physical change and a change in the method of operation of the boiler. If these changes result in a significant net emissions increase, then the proposed project is subject to NSR review.

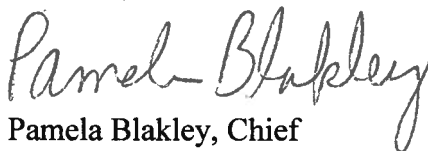
In addition, MPCA has reviewed the potential applicability of part 63 and asks EPA to confirm the following:

1. No Maximum Achievable Control Technology (MACT) standard applies to boiler No. 4 due to the July 2007 vacature of part 63, subp. DDDDD, and the proposed project would not make boiler No. 4 subject to Section 112(g);
2. The project as proposed would make boiler No. 4 and the entire plant a major Hazardous Air Pollutants (HAP) source and boiler No. 4 would be subject to Section 112(j) unless a new MACT standard is promulgated before the project commences;
3. At this time, it is not possible to determine the part 63 major source implications to the two natural gas-only fired boilers at the plant because there is no standard that defines the affected facility;
4. Two gas turbines at the plant were constructed prior to January 14, 2003 and if the plant becomes a major HAP source would be existing sources under part 63, subp. YYYYY but the turbines would not be subject to any requirements;
5. NUPU does not use chromium-based water treatment chemicals in the plant cooling tower and therefore the cooling tower is not subject to part 63, subp. Q.

EPA confirms the above, with the exception of 112(j) applicability. Section 112(j) does not apply to coal and oil-fired electric generating units (EGUs). Section 112(j) applies to categories or subcategories of sources that are subject to a schedule for promulgation of MACT standards pursuant to section 112(e)(1) and (3) (See section 112(j)(2)). The scheduling requirements of section 112(e)(1) and (e)(3) apply to categories and subcategories of sources "initially listed" for regulation pursuant to section 112(c)(1). Coal and oil-fired EGUs were not initially listed pursuant to section 112(c)(1) and thus are not covered by the schedules in section 112(e)(1) and (e)(3). See 57 FR 31576, 15991/1 (July 16, 1992) (initial source category list) and 58 FR 63941 (December 3, 1993) (schedule establishing deadlines for the promulgation of emission standards for the categories of sources initially listed pursuant to section 112(c)(1) and (3)). Accordingly, coal and oil-fired EGUs are not subject to section 112(j).

If you have any further questions please contact Jennifer Darrow of my staff at (312) 886-6315.

Sincerely,

A handwritten signature in cursive script that reads "Pamela Blakley".

Pamela Blakley, Chief  
Air Permits Section  
Air and Radiation Division

cc: Patrick Wrase, New Ulm Public Utilities  
Jenny Reinertsen, Howard R.Green Company  
Ken Snell, Sargent Lundy  
Marshall Cole, MPCA, Rochester